

Arizona Department of Gaming

Janet Napolitano
Governor

Web site: www.azgaming.gov

Paul A. Bullis
Director

Who We Are

The Arizona Department of Gaming is the State agency that regulates Indian casinos. The mission of the Department is to protect the public and ensure the integrity of gaming.

Gaming in Arizona is governed by the Tribal-State Gaming Compacts between the State and 21 Arizona Tribes. The Compacts (or agreements) and their appendices contain detailed regulatory, technical, and internal controls standards for the operation of Indian gaming.

The current Compact was passed by Arizona voters as Proposition 202 in the November 2002 election. The Compacts took effect in 2003.

There are 15 Arizona Tribes operating 22 Class III casinos in the State. Another 6 Tribes don't have casinos but have slot machine rights they may lease to Tribes with casinos. One Tribe doesn't have a Compact.

Arizona casinos had gaming revenue of \$1.94 billion in Fiscal Year 2007. Tribes contribute 1 to 8 percent of their gaming revenue to the State and local governments.

Gaming Compacts:

The Arizona Tribal-State Gaming Compacts and their appendices authorize the State to monitor casino operations, limit the number and type of permitted games, establish technical standards for gaming machines, permit the State to audit casinos, give the State access to casino property, and mandate background investigations and certification of casino employees and vendors.

The Compacts last for ten years, and can be renewed for one term of ten years and one additional term of three years. The current Compacts took effect in 2003. They replaced the first set of Compacts, which were in effect from 1993 to 2003. The current Compacts and appendices require:

- A minimum theoretical percentage payout of 80 percent for slot machines during the expected life of the game.
- A minimum theoretical percentage payout of 83 percent for video poker games, and 75 percent for keno, during the expected life of the games.
- A maximum of 18,158 slot machines in the State. Currently, there are about 14,028 slot machines.
- A maximum of 1,301 slot machines in any one casino.
- A combined maximum of 119 blackjack and poker tables in any one casino and bet limits for poker and blackjack.
- A maximum of 29 casinos in the State. There currently are 22 casinos. No additional casinos are allowed in the Phoenix area. One additional casino is allowed in the Tucson area.
- Tribes may lease their slot machine rights to other tribes. These transfer agreements allow remote tribes to receive gaming money.
- Tribes have a law enforcement plan to address criminal and undesirable activity at the casinos and provide for sufficient law enforcement resources to protect public health, safety, and welfare.
- An on-line electronic monitoring system that will speed the flow of slot machine data to the Department. In urban casinos, the Department will have remote access to real-time information on casino games.

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Tribal Contributions:

Under the Compacts, Tribes with casinos contribute 1 to 8 percent of their gaming revenue to the State, and to cities, towns, and counties. The money is used for programs that benefit Arizona residents. A Tribe's contribution is determined on a sliding scale based on the amount of the Tribe's gaming revenue that year. The Department verifies that each Tribe pays the correct amount to the State, cities, towns, and counties.

As of July 30, 2008, Tribes have contributed over \$430 million to the State, cities, towns, and counties since the Compacts went into effect in 2003.

Tribal contributions fund the following programs:

- Education - instructional improvement for schools
- Trauma and emergency care
- Wildlife conservation
- Arizona tourism
- Department of Gaming operating costs
- Problem gambling prevention, treatment, and education
- Community services and public safety programs for local governments.

Department Staff & Funding

The Department is funded entirely by the gaming industry. No taxpayer funds (i.e. State General Fund money) are used. The Department has a budget of approximately \$15.6 million for Fiscal Year 2008. This includes \$2.7 million for the Department's Office of Problem Gambling.

The Department has 110 full-time employees, including:

- 37 AZPOST-certified peace officers
- 18 financial investigators and auditors with various specialties. They include CPAs and Certified Fraud Examiners
- 8 slot machine technicians.

What the Department Does

Inspection of Slot Machines

The Department inspects and certifies more than 1,000 slot machines and gaming devices each month during on-site visits to casinos.

The Department inspects the machines, software, and electronic slot monitoring systems to make sure that the machines pay their required payout percentages and are operating properly.

The Department conducts random spot checks at approximately 10 to 12 casinos each month. Technicians arrive unannounced at a casino and test up to 50 randomly selected machines.

The Department inspects and certifies slot machines and gaming devices every time a casino installs a new machine, upgrades software on a machine, changes the percentage payout on a machine, or converts a machine to a new game theme.

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The Department makes sure that the machines and game management systems accurately record the amount of money that goes in and out of the machines.

All gaming software and electronic slot monitoring systems are tested by an independent testing lab before the machines are even shipped to Arizona. The independent lab makes sure the games are uncorrupted and meet Arizona's strict gaming standards.

Certification of Gaming Employees

In Fiscal Year 2008, the Department certified 1,584 non-Tribal members and issued tribal licensing recommendations to 449 Tribal members, for a total of 2,033 new employee investigations. Additionally, the Department issued 5,851 non-Tribal member certification renewals and 1,757 Tribal member licensing renewal recommendations, for a total of 7,608 renewal investigations.

Certification of Gaming Vendors

The Department completed detailed background investigations on 122 new applicants and 206 renewal applicants for vendor certification in Fiscal Year 2008. Companies must complete a detailed recertification process every two years.

Approval of Tournaments, Drawings

Casinos must seek prior approval before they can conduct tournaments, drawings, promotions, and cash or prize giveaways. The Department approved 1,125 drawings, promotions, tournaments, and new games in Fiscal Year 2008.

Tribal Investigations & Inspections

The Department:

- Performs on-site inspections of casinos and monitors gaming operations.
- Assures public safety through continual oversight of gaming facilities to ensure use of appropriate security and surveillance procedures.
- Investigates suspected Compact violations and criminal or suspicious activities.

Intelligence

The Department gathers and disseminates information about threats to gaming operations and facilities. The Department maintains and disseminates a self-exclusion list of about 2,000 compulsive gamblers who have agreed to not enter any Arizona casino for 1, 5, or 10 years.

Audits

The Department conducts annual on-site audits of each casino to review compliance with the Compact and its appendices. A Compact Compliance Review team typically includes 10 to 12 Department employees. A review lasts from one to two weeks.

The Department checks hundreds of items ranging from cash handling procedures to video surveillance to casino giveaways of free meals.

The Department evaluates casino minimum internal control standards and procedures.

The Department audits casino books and records, and electronic slot accounting systems.

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Administrative Services

The Department's Administrative Services Unit:

- Budgets, plans, and performs accounting functions for the Department.
- Manages the Department's facilities, purchasing, travel, fleet, etc.
- Coordinates and manages the Department's Human Resources requirements.
- Performs all of the Department's information technology requirements, including computer and technology functions, and maintains the Department's certification database system.

Office of Problem Gambling

The mission of the Department's Office of Problem Gambling is to provide and support problem gambling prevention, treatment, and education programs in Arizona by:

- Funding treatment for problem gamblers and those affected by another's gambling problem. No one is turned away because of inability to pay.
- Providing a 24-hour, 7-day helpline for those in crisis or needing a referral to a counselor: 1.800.NEXT STEP.
- Educating the public that compulsive gambling is a disorder and that help is available.